

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIE-00 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 INT-08 FEA-02

SSO-00 INRE-00 NSCE-00 /158 R

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APPROVED BY: ARA:HWSHLAUDEMAN

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L/ARA:DGANTZ(INFO)

EB/IFD/OIA:CELLIS(INFO)

TREASURY:MBRADFIELD(INFO)

CIEP:RSTERNFELD(INFO)

ARA/PAF:WDEIDRICH(INFO)

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FM SECSTATE WASHDC

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E.O. 11652: N/A DECON DEC 31-74

TAGS: BDIS, EIND, ENRG, EFIN, EFIS, PE

SUBJECT: GREENE MISSION - TIME STORY

REF: STATE 348

1. JAN 21, 1974 ISSUE OF TIME CONTAINS STORY ON GREENE MISSION.  
PRESS GUIDANCE ON GREENE MISSION CONTAINED REFERENCE CONTINUES  
APPLICABLE.

2. STORY FOLLOWS BEGIN QUOTE: NATIONALIZATION/CARRYING A BIG  
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STICK// JUST AS THE US HAS GIVEN UP GUNBOAT DIPLOMACY IN IN-

TERNATIONAL POLITICS, IT IS ALSO SETTING ASIDE THE OLD BIG-STICK APPROACH IN INTERNATIONAL ECONOMICS. UNTIL RECENTLY, WHEN A FOREIGN GOVERNMENT NATIONALIZED US COMPANIES, WASHINGTON RETALIATED BY PRESSURING THE WORLD BANK, THE INTERNATIONAL MONETARY FUND AND OTHER AGENCIES TO WITHHOLD CREDITS FROM THE OFFENDING NATION. THIS APPROACH, KNOWN AS THE CONNALLY DOCTRINE, AFTER FORMER TREASURY SECRETARY JOHN CONNALLY, IS BEING REPLACED BY THE AMELIORATIVE TACTICS OF SECRETARY OF STATE KISSINGER, WHO PREACHES NEGOTIATION INSTEAD OF CONFRONTATION.

(PARA) THE SHIFT BECAME MOST VISIBLE AFTER PERU'S LEFTIST MILITARY GOVERNMENT ON JAN. 1 SEIZED THE US-OWNED CERRO DE PASCO CORP. THE US GOVERNMENT'S RESPONSE TO THE TAKEOVER OF THE LARGEST MINING COMPANY IN PERU WAS DISCREET SILENCE.

(CONT.) INSTEAD, QUIET NEGOTIATIONS OVER COMPENSATION ARE GOING ON IN LIMA BETWEEN US AND PERUVIAN GOVERNMENT REPRESENTATIVES.

(PARA) THE NEGOTIATOR WHOM PRESIDENT NIXON SENT TO PERU IS JAMES R. GREENE, A MANUFACTURERS HANOVER TRUST CO. SENIOR VICE PRESIDENT WHO HOLDS A PH.D IN ECONOMICS AND HAS BEEN A US FOREIGN SERVICE OFFICER IN LATIN AMERICA. THE TALKS THAT HE HAS BEEN INVOLVED IN CONCERN NOT ONLY CERRO BUT UNITS OF AT LEAST TEN OTHER US COMPANIES THAT EITHER HAVE BEEN NATIONALIZED OR STAND TO BE. IN SEPARATE MEETINGS WITH CERRO, THE PERUVIANS HAD OFFERED THE COMPANY ONLY DOLS 12 MILLION, ALTHOUGH THE FIRM'S PERUVIAN UNIT HAD SALES OF DOLS 159 MILLION AND PROFITS OF DOLS 16.6 MILLION FROM ITS COOPER, LEAD, SILVER AND ZINC MINES FOR THE FIRST NINE MONTHS OF 1973. PROVIDED THAT THERE IS A SWEETENING OF THOSE TERMS, AND TERMS FOR THE OTHER COMPANIES, GREENE IS SAID TO HAVE TOLD THE PERUVIANS THAT THEIR APPLICATIONS FOR LOANS AT THE US EXPORT-IMPORT BANK WOULD BE WELCOMED. ADDITIONALLY, THERE ARE REPORTS IN LIMA OF US BANKS' OFFERING PERU A LARGE TEN-YEAR CREDIT LINE AT 11 PERCENT INTEREST; GREENE DENIES ANY CONNECTION WITH SUCH AN OFFER. THE BETTING IN PERU IS THAT PRESIDENT JUAN VELASCO ALVARADO WILL ACCEPT SOME AGREEMENT IN A MONTH OR SO.

(PARA) ACCORDING TO THE USUALLY RELIABLE WEEKLY PERUVIAN TIMES, CERRO WILL PROBABLY COLLECT DOLS 65 OR DOLS 70 MILLION AGAINST ITS CLAIMS OF DOLS 145 MILLION. IN ADDITION, WR GRACE AND CO. IS EXPECTED TO GET DOLS 35 MILLION OF THE DOLS 65 MILLION THAT IT SAYS ITS SOON-TO-BE-NATIONALIZED PAPER AND CHEMICAL PLANTS ARE WORTH. SIX COMPANIES THAT OWN FISHMEAL LIMITED OFFICIAL USE

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PLANTS, AMONG THEM HEINZ AND GENERAL MILLS, ARE LIKELY TO DIVIDE A DOLS 24 MILLION SETTLEMENT ON THEIR TOTAL CLAIM OF DOLS 35 TO DOLS 40 MILLION. IN ALL, PERU REPORTEDLY WILL PAY US COMPANIES SOME DOLS 130 MILLION ON CLAIMS OF TWICE THAT AMOUNT, WHICH AMOUNTS TO A FAT SETTLEMENT BY THE USUAL STANDARDS OF NATIONALIZATION

END QUOTE

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